Economic Indicators

Edmonton's inflation edges up from November 2016

January 20, 2017

Annual inflation in the Edmonton Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), was up from 0.2% in November 2016 to 1.1% in December 2016. Measuring on an annualized basis, lower costs for food, electricity and rental housing were more than balanced by a rise in the costs of home ownership, gasoline and natural gas.

Calgary's rate of inflation was running at a slightly slower pace than Edmonton's, coming in at an annual rate of 0.9% in December 2016— up from the 0.1% rate recorded in October 2016. A more rapid decline in rental accommodation costs was the main contributor to Calgary's lower inflation rate when compared to Edmonton.

Consumer-based inflation in Alberta was also up at an annual rate of 1.0% in December 2016 compared to 0.2% in November 2016. In December, food and electricity costs decreased. Electricity prices fell almost 17% between December 2015 and December 2016 but were offset by increases in home ownership and gasoline prices. Inflation for Edmonton, Calgary and Alberta remain well below the national average reflecting the sluggish economic conditions and very weak rental accommodation market in the province.

At the national level, the annual rate of change in CPI increased from 1.2% in November 2016 to 1.5% in December 2016. Increased costs for transportation and housing were only partially offset by food prices.

Significance

With rental rates continuing to ease, overall housing costs in the Edmonton region are holding steady as the costs of owned accommodation move up. However, the recent weakening in the Canadian dollar will have a negative impact on imported consumer items such as food and clothing. These items will see an increase in costs in early 2017. As well, rising energy-related prices driven by the recent increase in oil and natural gas prices will reinforce the trend of higher inflation. As a result, inflation in Edmonton should gradually rise toward the 2% range over the coming months.

Canada's core inflation rate, as reflected in the three adjusted measures of consumer prices tracked by the Bank of Canada, were at or slightly below the middle of the Bank of Canada's target range of 1.0% to 3.0%. This fact along with the mixed performance of the Canadian economy means the Bank of Canada will leave its short term interest rates unchanged in the first half of 2017.

Consumer Price Index for December 2016

	Dec 2015	Nov 2016	Dec 2016	Nov 2016 to Dec 2016	Dec 2015 to Dec 2016
	2002=100			% change	
Canada	126.5	128.6	128.4	-0.2	1.5
Alberta	133.5	135.0	134.9	-0.1	1.0
Edmonton CMA	133.2	134.8	134.7	-0.1	1.1
Calgary CMA	134.1	135.4	135.3	-0.1	0.9

Source: Statistics Canada

Limitations

The CPI is a measure of the change in prices and not their absolute level. Consequently, when compared to the national CPI (128.4), Edmonton's higher CPI (134.7) does not mean that the cost of living in Edmonton is higher than elsewhere. It does, however, indicate that since 2002, prices for consumer goods in Edmonton have risen somewhat faster compared to the Canadian average: approximately 35% for Edmonton, compared to 28% for Canada.

The CPI reflects the prices consumers pay on a typical basket of goods and services, but it does not reflect all of the inflationary pressures experienced by organizations such as the City of Edmonton. Prices used to determine the CPI represent average consumer purchases such as groceries, clothes, retail goods, rent and mortgages. The CPI does not reflect the type of expenditures required to deliver municipal goods and services, such as construction materials, transportation equipment and professional services.

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